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September 12, 1994

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SEP 13 1994

FCC MAIL ROOM

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
1919 M Street, N. W.  
Washington, D.C. 20554

In re: In the Matter of Billed Party Preference for 0+ interLATA Calls, CC Docket No. 92-77, Reply Comments of Midwest Independent Coin Payphone Association, Our file #94-306.26

Dear Mr. Caton:

Enclosed are the original and nine (9) copies of the Reply Comments of Midwest Independent Coin Payphone Association which I am filing in the above rulemaking.

Very truly yours,

*William M. Barvick*

William M. Barvick

WMB:mb  
Enclosures  
cc: Robert M. Lynch  
Sent UPS Overnight 9/12/94 to FCC

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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Washington, D. C. 20554

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In the Matter of Billed  
Party Preference for  
0 + InterLATA Calls

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CC Docket No. 92-77

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REPLY COMMENTS OF MIDWEST INDEPENDENT COIN  
PAYPHONE ASSOCIATION

The Midwest Independent Coin Payphone Association (MICPA) has not reviewed all of the Comments submitted by the various parties in this case. As a result, silence on any point raised in those Comments should not be construed as agreement with them. These Reply Comments are limited to the Comments of Southwestern Bell Telephone Company (SWB), and are merely intended to cite one example of why a more thorough inquiry than this Comment process is required before billed party preference is instituted

SWB supports the implementation of billed party preference and has submitted Comments arguing that billed party preference is in the public interest.

On September 24, 1992, SWB filed a petition before the Missouri Public Service Commission in which it sought to have, among other things, its intraLATA MTS and operator services classified as transitionally competitive under Missouri law.<sup>1</sup> In Missouri, there are three classifications of telecommunications services, namely non-competitive, transitionally competitive and competitive. Non-competitive services are subject to the

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<sup>1</sup> In the matter of Southwestern Bell Telephone Company's Application for Classification of Certain Services as Transitionally Competitive, Case No. TO-93-116

greatest degree of regulation and competitive services to the least. Classification of these services as transitionally competitive would be an interim move toward a virtual deregulation of the prices charged for them.

SWB's application to have these services classified as transitionally competitive was opposed by a number of parties, including MICPA. There is no 1-Plus presubscription for intraLATA calls in Missouri, and 0-Plus calls are also handled by the local exchange company absent some type of dial around or access code dialing. One of the issues in the case was whether SWB's services were substitutable for the services of competing IXC's and operator service providers, (See Attachment 5). The IXC's argued that since SWB had 1-Plus and 0-Plus service that their services, in effect, were inferior because of the additional dialing required to access them. The evidence in the case showed that SWB had over 90% of the intraLATA MTS traffic.

To support its contention that 1-Plus presubscription was not a significant advantage, SWB cited a 1992 market study that it had commissioned to demonstrate that access codes were easy to use and were being used by 76% of the business customers who were familiar with them. In case No. TO-93-116, a SWB witness testified:

**Q. HAS SWBT CONDUCTED ANY MARKET RESEARCH REGARDING THE USE OF ACCESS CODES FOR INTRALATA CALLING?**

**A. Yes.** Market research performed for SWBT by an independent research firm indicates that customers are not only aware of intraLATA long distance calling options, but also know how to take advantage of those options. This study was completed in October, 1992 and surveyed residence and business customers in Missouri

The study indicates that approximately 19.7% of residence and 30.2% of business customers are knowledgeable regarding alternatives to 1 + dialing for placing intraLATA long distance calls. Furthermore, in most cases, as the

dollar amount of the customer's bill increases, so does the awareness of the alternatives to 1+ dialing. Of those customers that are aware of these intraLATA alternatives, 67.4% of the residence and 76.0% of the business customers would dial an access code. (John Willmann in PSC Case No. 93-116, see attached copy - Attachment 1).

The access code dialing issue in the Missouri case was not limited to calls from aggregator locations. It included calls from residential and business phones. The case resulted in a decision by the Missouri Public Service Commission which granted SWB a transitionally competitive classification for these two services.

Curiously in the present proceeding before the FCC, SWB also cites a 1992 study to support the exact opposite position. In Missouri the study was cited to support a claim that dialing access codes was not a significant impediment to competition with SWB. Here, what appears to be the same study, is being cited for the proposition that dialing access codes is bothersome and burdensome, and that the public interest would be promoted if the need to use them was eliminated. In its Comments before the FCC, SWB states:

Based on its own consumer research and contacts, and on customer complaints, SWBT agrees that consumers find access codes inconvenient and confusing. 8/

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8 According to a 1992 study, 60% of SWBT's customers prefer dialing 0+ to dialing access codes. Of those using access codes, only 25% find them convenient. The remaining 75% use access codes for reasons other than convenience, such as assurance of access to the carrier of choice or because of calling card instructions. BPP will satisfy the needs of all these customers, both those seeking convenience, and those seeking assurance. BPP, thus, is in the interest of the vast majority of customers. (SWB Comments, p. 5 attached - Attachment 2).

One might argue that the study results can be used to support opposite propositions before state regulators in one case and federal regulators in another. However, one can

legitimately question the value of such a flexible study and the candor of a party that would engage in such advocacy before the FCC without some form of disclosure of its prior use of the study or a comparable study in Missouri.

The reference to the market survey is not the only instance of SWB apparently arguing out of both sides of its mouth. In urging this Commission to adopt billed party preference SWB advocated BPP as a consumer benefit and has stated:

SWBT continues to believe that 14-digit screening does not respond to consumer needs. Consumers have not expressed a desire for multiple cards from various card issuers, all bearing the same account number but with different PINs. To the contrary, SWBT's cardholders want to: 1) have one card that is usable for local, intraLATA and interLATA calling; 2) make calls on a "0+" basis; 3) use telephone line numbers as the card account; 4) receive one bill; 5) choose the carrier to be paid for services, and 6) select their card's PIN.

Convenience is the common denominator, and convenience will not result from 14-digit screening. Instead, consumer confusion will increase, thus defeating the purpose of BPP. (SWB Comments, pp. 8, 9, attached - Attachment 2).

However, in opposing the suggestion that 1-Plus presubscription for intraLATA calling should be linked to a transitionally competitive classification for its services, SWB stated in its brief before the Missouri Public Service Commission:

Third, the IXCs hide the fact that alternate dialing arrangements frequently are not caused by any intraLATA dialing issue. IXCs heavily market and advocate 10XXX and other dialing patterns for several reasons. One reason is that 75% of all access lines are presubscribed to AT&T for interLATA calling. (TR. 588) **By advertising dial-around toll services, every IXC competes with AT&T for interLATA calling, the LEC for intraLATA calling, and every other competitor in either or both markets.** Moreover, the IXC's volume discounts entice customers to use alternate dialing for all long distance calls. (Ex. 10, Willmann Dir., Sch. 5.)

Despite holding 75% of the access lines, **even AT&T markets 10XXX dialing because this type of dialing is recognized more and more as an**

**acceptable dialing procedure to reach a vendor of choice and receive additional rate discounts.** (Tr. 594.) Therefore, the IXC's use and need for alternate dialing arrangements does (sic) not go away even if the Commission were inclined to pursue the dramatic changes adopted by the very few states that have ordered intraLATA presubscription. (Emphasis added) (SWB Brief, TO-93-116, pp. 23, 24 attached - Attachment 3).

Before the Missouri PSC, SWB argued that dial around access codes facilitated a free for all in the market place between large, medium and small IXCs. It further pointed out that customers benefited because additional or promotional discounts could be received in that environment. Before this Commission, SWB advocates a system that will end the free for all and lock customers into a preselected carrier. So much for consumer directed promotional discounts.

In Missouri, at least, SWB continues to advocate actions that would deregulate its services on the grounds that price competition among operator services providers is driving prices down and in the process costing SWB market share in an intraLATA market where there is no presubscription.<sup>2</sup> Attached to these Reply Comments is a copy of the testimony of SWB witness Cynthia S. Tieperman which was filed on August 1, 1994 with the Missouri Public Service Commission in Missouri Public Service Commission case No. TR-94-364, (Attachment 4).

Information on page 3 of Ms. Tieperman's testimony, which was deemed as highly confidential by SWB, has been whited out. Still, you will note that AT&T rates for station and person calling are higher than all but two providers, (Schedule 2), and that SWB, the

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<sup>2</sup> SWB's actions and arguments are consistent with the conclusion of the TOCSIA Final Report that, "Market forces are securing just and reasonable rates," and that consumers are now making informed choices.

dominant provider of intraLATA operator services which has had the lowest rates, now considers itself under pressure from MCI to lower its own operator service rates, (pages 3, 4), as a result of advertising campaigns aimed at increasing customer use of access code dialing.

When one examines the position taken by SWB before the Missouri Public Service Commission, it is the position of a company complaining that it cannot compete effectively because its competitors can offer service at prices that are lower than it charges. This is true even though its current rates appear to be among the lowest authorized in Missouri for operator services. If competition is not having the desired effect of bringing prices down, and if access code dialing is not sufficiently convenient to allow meaningful consumer choice, then why is SWB telling the Missouri Public Service Commission that it is?

Every party to this proceeding is driven by some type of economic interest. In pursuing its mandate to protect the public interest, the FCC should carefully scrutinize the naked claims and factual allegations being presented in this proceeding. As MICPA has indicated in its original Comments, the record in this case appears to consist of stale numbers and outmoded assumptions. We would further submit that it also includes factual allegations that could not withstand the scrutiny of cross-examination.

Before proceeding with a change as costly and market disrupting as billed party preference will be, the FCC must have current and reliable information on which to assess the costs of this change against its purported benefits. It should certainly examine the effects of competition on the pricing and marketing of operator services. The notice that prompted this round of Comments considers end user focused marketing to be a major benefit of billed

party preference. As the attached materials indicate, SWB's response to competition in Missouri is now being driven by consumer or end user marketing campaigns by its competitors. How much more can one expect from the implementation of billed party preference? MICPA would encourage the Commission to take a fresh look at the current market for operator services and to make the inquiry required to find out if the assumptions upon which it proposes to proceed with billed party preference are in fact reliable.

Respectfully submitted,



**William M. Barvick**

**Bar No. 17893**

**240 East High Street, #202**

**Jefferson City, Missouri 65101**

**(314) 634-4737**

**Attorney for Midwest Independent Coin  
Payphone Association**

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Exhibit No.:  
Issue: MTS Toll  
Witness: John S. Willmann  
Type of Exhibit: Surrebuttal Testimony  
Company: Southwestern Bell Telephone Company  
Case No.: TO-93-116

SOUTHWESTERN BELL TELEPHONE COMPANY

CASE NO. TO-93-116

SURREBUTTAL TESTIMONY

OF

JOHN S. WILLMANN

St. Louis, Missouri  
November, 1992

Attachment 1

Surrebuttal Testimony  
John S. Willmann

customers on the use of 10XXX and 950 access at the time of installation."

LDD, Inc. responded that "Customers are instructed to use 10XXX or 1-700 dialing methods."

In addition to providing documents used to promote 10XXX dialing, Tel-Central offered, "The percentage of Tel-Central's Missouri customers that use 10XXX dialing is approximately 98%."

**Q. HAS SWBT CONDUCTED ANY MARKET RESEARCH REGARDING THE USE OF ACCESS CODES FOR INTRALATA CALLING?**

A. Yes. Market research<sup>1</sup> performed for SWBT by an independent research firm indicates that customers are not only aware of intraLATA long distance calling options, but also know how to take advantage of those options. This study was completed in October, 1992 and surveyed residence and business customers in Missouri.

The study indicates that approximately 19.7% of residence

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1. SWBT generally considers its marketing studies and marketing research to be HIGHLY CONFIDENTIAL in that such studies involve substantial costs and would provide valuable information to SWBT's competitors free of charge. However, without waiving this position, for the limited purpose of this docket, SWBT is publicly disclosing certain information from this research both on this page and subsequent pages of this testimony.

Surrebuttal Testimony  
John S. Willmann

and 30.2% of business customers are knowledgeable regarding alternatives to 1+ dialing for placing intraLATA long distance calls. Furthermore, in most cases, as the dollar amount of the customer's bill increases, so does the awareness of the alternatives to 1+ dialing. Of those customers that are aware of these intraLATA alternatives, 67.4% of the residence and 76.0% of the business customers would dial an access code.

**Q. DOES SOUTHWESTERN BELL HAVE ANY INFORMATION THAT SUGGESTS CUSTOMERS USE AUTODIALERS TO PLACE INTRALATA LONG DISTANCE CALLS?**

A. Yes. There is substantial information indicating the use of autodialers to access long distance services other than SWBT's. Prime-Link, LDD, Inc., Dial U.S. and Tel-Central responded to SWBT's data request regarding the use of autodialers.

Dial U.S. indicated that approximately 80% of their business and over half their residence customers use dialers.

Tel-Central stated, "Tel-Central does provide, recommend and promote autodialers and similar hardware devices which program access codes for intraLATA long distance.

Approximately 80% of Tel-Central's Missouri customers

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BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

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In the Matter of

Billed Party Preference  
for 0+ InterLATA Calls

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) CC Docket No. 92-77  
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COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY

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ROBERT M. LYNCH  
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ATTORNEYS FOR  
SOUTHWESTERN BELL TELEPHONE COMPANY

August 1, 1994

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Attachment-2

rather than on commission payments.<sup>6</sup> SWBT agrees that BPP can result in these estimated yearly savings.

The FNPRM also estimates that BPP implementation costs would approximate \$1.1 billion in nonrecurring charges and \$60 million in annual recurring expenses.<sup>7</sup> SWBT does not disagree with these estimates.

Based on its own consumer research and contacts, and on customer complaints, SWBT agrees that consumers find access codes inconvenient and confusing.<sup>8</sup> This will only increase with the implementation of four-digit Carrier Identification Codes (CICs). The NPRM correctly points out that, even if BPP would alter the routing of only nineteen percent of operator service calls, "BPP would save consumers hundreds of millions of dollars."<sup>9</sup>

The FNPRM makes no quantification of the value of other BPP benefits identified, though SWBT believes that savings will result from all the benefits listed above. The Commission, it appears, has thus quantified the minimum savings (i.e., the "floor") to be realized from BPP.

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<sup>6</sup> FNPRM at para. 9.

<sup>7</sup> Id. at para. 20.

<sup>8</sup> According to a 1992 study, 60% of SWBT's customers prefer dialing 0+ to dialing access codes. Of those using access codes, only 25% find them convenient. The remaining 75% use access codes for reasons other than convenience, such as assurance of access to the carrier of choice or because of calling card instructions. BPP will satisfy the needs of all these customers, both those seeking convenience, and those seeking assurance. BPP, thus, is in the interest of the vast majority of customers.

<sup>9</sup> FNPRM at fnt. 18.

C. Selecting 0+ Carriers.

SWBT agrees with the Commission that consumers should be notified of their opportunity to choose a "Dial 0" carrier.<sup>14</sup> A ballot with response envelope as a separate mailing or a prominent bill insert should be used to solicit responses. Further notices and ballots should not be required for nonrespondents, who should be defaulted to their 1+ carrier, with no allocation. Customers should be allowed to change carrier choices after the initial balloting, consistent with current procedures for changing 1+ carrier selection.

The Primary Preferred Carrier (PPC) of each customer should be allowed to select the Alternate Preferred and International Preferred Carrier (APC and IPC). It may be possible to accommodate three to four APCs per line without significantly impacting current design and costs, allowing regional carriers to provide nationwide service through geographic business alliances.

D. The Costs and Benefits of 14-Digit Screening in LIDB.

SWBT continues to believe that 14-digit screening does not respond to consumer needs. Consumers have not expressed a desire for multiple cards from various card issuers, all bearing the same account number but with different PINs. To the contrary, SWBT's cardholders want to: 1) have one card that is usable for local, intraLATA and interLATA calling; 2) make calls on a "0+" basis; 3) use telephone line numbers as the card account; 4)

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<sup>14</sup> Id. at para. 65.

receive one bill; 5) choose the carrier to be paid for services, and 6) select their card's PIN.

Convenience is the common denominator, and convenience will not result from 14-digit screening. Instead, consumer confusion will increase, thus defeating the purpose of BPP.

Certain IXC's, not end user customers, want 14-digit screening in order to have market presence (i.e., name identity) on Telephone Line Number (TLN) cards. SWBT, as outlined below in Subsection E, proffers an alternative that better serves all stakeholders.

Other IXC's wish to incorporate their existing access code-based proprietary card products into a BPP environment and extend "0+" dialing capabilities to their cards by changing the technical basis on which routing decisions are currently made. Instead of IXC routing decisions being made on six-digit routing to the appropriate LIDB for identification of the "0+" carrier of the cardholder, these carriers would have IXC routing decisions made based on examination of the line record and card PIN (i.e., 14-digit screening). SWBT has not identified consumer demand for 14-digit screening. There is simply no consumer need, especially since 14-digit screening will increase BPP costs.

Cost increases would result from additional development, implementation and maintenance expense, and from increased fraud exposure. Fourteen-digit screening would add approximately \$8-16 million to SWBT's BPP implementation cost estimate, and a minimum \$1.5 million in additional annual recurring expenses, without consideration of the increased fraud expenses from 14-digit

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Southwestern Bell )  
Telephone Company's Application for ) Case No. TO-93-116  
Classification of Certain Services )  
As Transitionally Competitive )

BRIEF OF SOUTHWESTERN BELL TELEPHONE COMPANY

ALFRED G. RICHTER, JR.  
ANN E. MEULEMAN  
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DEC 14 1992

Attachment 3



these situations, the dialing is identical if not better than the dialing needed to access Southwestern Bell's service.

Second, the IXCs repeatedly assert that customer perception should be the most important factor for evaluating substitute products. Ironically, however, some of these same IXCs then disregard or undermine the widespread use of autodialers and other equipment even though the customers are directed to dial 1+ for the IXC to carry the call in the same fashion as a call handled by Southwestern Bell. In fact, CompTel's witness readily admitted in his prefiled testimony and again on the stand that Hedges and the rest of CompTel recognize that "the use of dialers may technically meet the test of substitutability in the mind of our customer who has a dialer and dials 1+ the number either way." (Ex. 39, Smith Reb., lines 163-66.)

Mr. Zimmer, President of LDD, was asked "the percentage of your Missouri customers that use 10XXX dialing or any other dialing arrangement designed as a substitute for the local exchange companies' toll product?" Mr. Zimmer's answer stated: "Approximately 90% of Missouri customers use some type of substitute." (Ex. 32, p. 1.)

Third, the IXCs hide the fact that alternate dialing arrangements frequently are not caused by any intraLATA dialing issue. IXCs heavily market and advocate 10XXX and other dialing patterns for several reasons. One reason is that 75% of all access lines are presubscribed to AT&T for interLATA calling.

(Tr. 588.) By advertising dial-around toll services, every IXC competes with AT&T for interLATA calling, the LEC for intraLATA calling, and every other competitor in either or both markets. Moreover, the IXC's volume discounts entice customers to use alternate dialing for all long distance calls. (Ex. 10, Willmann Dir., Sch. 5.)

Despite holding 75% of the access lines, even AT&T markets 10XXX dialing because this type of dialing is recognized more and more as an acceptable dialing procedure to reach a vendor of choice and receive additional rate discounts. (Tr. 594.) Therefore, the IXC's use and need for alternate dialing arrangements does not go away even if the Commission were inclined to pursue the dramatic changes adopted by the very few states that have ordered intraLATA presubscription.

The IXCs also understand that when they encourage their customers to use 950-XXXX or local number dialing for long distance calls (particularly in association with autodialers so that it is transparent to the customer), the IXCs are using Feature Group A or Feature Group B access and gaining a significant price break as compared to the other switched access rates.

Fourth, the IXCs complain about the proverbial "unlevel playing field" yet disregard the serious disadvantages imposed upon Southwestern Bell. Unlike its competitors, Southwestern Bell has intraLATA "carrier of last resort" obligations for its customers. More importantly, Southwestern Bell is prohibited

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Southwestern Bell Telephone )  
Company's Application for Rate Bands ) CASE NO. TR-94-364

AFFIDAVIT OF CYNTHIA S. TIEPERMAN

STATE OF MISSOURI )  
 ) SS  
CITY OF ST. LOUIS )

I, Cynthia S. Tieperman, of lawful age, being duly sworn state:

1. My name is Cynthia S. Tieperman. I am presently Area Manager-Product Management for Southwestern Bell Telephone Company.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Cynthia S. Tieperman  
Cynthia S. Tieperman

Subscribed and sworn to before me this 29<sup>th</sup> day of JULY, 1994.

Laverne R. Gerley  
Notary Public

LAVERNE R. GERLEY  
NOTARY PUBLIC STATE OF MISSOURI  
SO. LOUIS, MISSOURI  
MY COM. EXPIRES OCT. 31, 1995

My Commission Expires:

Attachment 4

**Exhibit No.:**  
**Issue:** Marketing  
**Witness:** Cynthia S. Tieperman  
**Type of Exhibit:** Direct Testimony  
**Sponsoring Party:** Southwestern Bell Telephone Company  
**Company:** Southwestern Bell Telephone Company  
**Case No.:** TR-94-364

**SOUTHWESTERN BELL TELEPHONE COMPANY**

**CASE NO. TR-94-364**

**DIRECT TESTIMONY**

**OF**

**CYNTHIA S. TIEPERMAN**

**St. Louis, Missouri  
August 1994**

**UNREDACTED**

Direct Testimony  
Cynthia S. Tieperman

**DIRECT TESTIMONY OF CYNTHIA S. TIEPERMAN**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. Cynthia S. Tieperman, One Bell Center, Room 8-X-1, St. Louis, Missouri.

**Q. PLEASE STATE THE NAME OF YOUR EMPLOYER AND YOUR POSITION.**

A. I am employed by Southwestern Bell Telephone Company as an Area Manager-Product Management in the company's General Headquarters operation.

**Q. HAVE YOU PREPARED A SCHEDULE WHICH SUMMARIZES YOUR QUALIFICATIONS AND WORK EXPERIENCE**

A. Yes. It is attached as Schedule 1.

**Q. WHAT ARE YOUR RESPONSIBILITIES AS AREA MANAGER-PRODUCT MANAGEMENT?**

A. I am responsible for managing Southwestern Bell's "O" Assistance products and services. This includes analyzing and tracking product performance, evaluating customer needs and Company requirements, and coordinating modifications/enhancements to the product line as needed.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

A. The purpose of my testimony is to present rate bands for those "O" Assistance services which were classified by this commission as Transitionally Competitive Services (Docket 93-116) in December 1992. I will also explain the rationale used in developing these bands.

Direct Testimony  
Cynthia S. Tieperman

**Q. WOULD YOU DESCRIBE SOUTHWESTERN BELL'S TRANSITIONALLY COMPETITIVE OPERATOR SERVICES?**

A. These services include Person-to-Person calls and Station-to-Station calls billed as collect, third number, or to a calling card. Within each service there are different rates based on the level of operator involvement on the call. The calls are either billed as:

- 1) Fully Automated (no operator involvement),
- 2). Semi-Automated (customer dials "0" plus the called number and the operator inputs the billing information), or
- 3) Operator Handled (customer simply dials "0" and the operator inputs both the called number and the billing information).

**Q. PLEASE DESCRIBE YOUR CURRENT PRICES AND PROPOSED RATE BANDS.**

A. The current prices and Proposed Rate Bands are as follows:

|                    | Current<br>Price | Minimum<br>Price | Maximum<br>Price |
|--------------------|------------------|------------------|------------------|
|                    | -----            | -----            | -----            |
| Station-to-Station |                  |                  |                  |
| Fully-Automated    | \$ .70           | \$ .50           | \$1.10           |
| Semi-Automated     | \$ .90           | \$ .65           | \$1.50           |
| Operator-Handled   | \$1.10           | \$ .85           | \$1.95           |
| Person-to-Person   |                  |                  |                  |
| Semi-Automated     | \$2.00           | \$1.05           | \$2.65           |
| Operator-Handled   | \$2.40           | \$1.40           | \$3.50           |
| Calling Card       |                  |                  |                  |
| Fully-Automated    | \$ .35           | \$ .25           | \$ .85           |
| Semi-Automated     | \$ .65           | \$ .45           | \$1.05           |

**Q. PLEASE EXPLAIN THE RATIONALE USED IN DEVELOPING THE RATE BANDS.**

A. In general, we are trying to price to the market. Competitor rates were used as a basis for both the minimum and maximum limits. Incremental costs were then reviewed to ensure that the minimum rates exceeded the cost of each service.

Direct Testimony  
Cynthia S. Tieperman

**Q. PLEASE PROVIDE THE SPECIFIC RATIONALE YOU USED TO SET MINIMUM RATES.**

A. The first step was to set minimum rates for the Operator-Handled Station-to-Station and Person-to-Person services. These rates were developed by applying a 20% discount to the lowest competitor rate (See Schedule 2 for competitor rates). Customers are then given a 25% discount for each level of automation (semi-automated and fully-automated). Each of the rates were then rounded to the nearest nickel. When setting the calling card rate, a 20% discount was again applied to the lowest competitor rate. This determined the minimum band for Fully-Automated Calling Card service. When establishing the Semi-Automated Calling Card rate, applying a 25% increase (as was done for Station-to-Station and Person-to-Person) resulted in a price (\$.30) that was below cost, therefore, the semi-automated minimum rate was set at \*\* \* above cost.

**Q. HOW WERE THE MAXIMUM RATES ESTABLISHED?**

A. The highest competitor rate (excluding those competitors that were priced significantly higher than the average) was used as the maximum rate for Operator-Handled Station-to-Station and Person-to-Person and Fully-Automated Calling Card. The same 25% incremental relationship was applied to determine Semi-Automated and Fully Automated rates. Each rate was then rounded to the nearest nickel.

**Q. WILL THESE BANDS ALLOW YOU TO BE MORE RESPONSIVE TO COMPETITION?**

A. Yes. Competition continues to launch new campaigns to attract customers to their services. Most of these campaigns include the benefit of being the "least expensive" provider. When MCI initially launched their 1-800-Collect campaign in Missouri, the advertisements were claiming to be the "cheapest way to make a collect call." Prior to the campaign, MCI's

**Direct Testimony**  
**Cynthia S. Tieperman**

operator service rate for collect was \$1.05. Southwestern Bell's lowest rate for Station-to-Station Collect was \$.70 and \$2.00 for Person-to-Person Collect. When the campaign was launched, MCI's tariffed Station Collect rate was \$.69 and the Person Collect rate was \$1.99. MCI filed rates in each of the Southwestern Bell states at \$.01 less than Southwestern Bell rates. This allowed them to advertise as the "cheapest" provider. Without pricing flexibility, Southwestern Bell was unable to respond. The 20% margin we have built into the low end of the band will give Southwestern Bell the flexibility to respond to competitors' pricing practices. Schedule 3 includes copies of the MCI campaign and others.

**Q. COULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

A. Yes. I've proposed rates for the services that were previously approved as transitionally competitive services. The rates are reasonable for the following reasons:

- the rates are comparable to those of other providers
- the minimum rates exceed the incremental cost of providing the service, and
- the rates allow SWBT to be responsive to customer needs.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes, it does.



## **SUMMARY OF EDUCATION AND WORK EXPERIENCE**

### **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

- A. I graduated from Fort Hays State University, Hays Kansas, in December 1979 with a Bachelor of Science degree in Finance. I have also attended various management and marketing training classes offered by Southwestern Bell including Introduction to Market-Driven Product Management and Advanced Competitive Strategic Analysis, among others.

### **Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE WITH SOUTHWESTERN BELL.**

- A. I was employed by Southwestern Bell in January of 1980 as a first-line supervisor responsible for Directory Assistance operators in the Operator Services Department. During my first 10 years with Southwestern Bell my assignments included:
- Directory Assistance Group Manager
  - Directory Assistance Database Administrator
  - Design Entity Forecaster (Outside Plant and Wire Center forecasts)
  - Finance-Separations Manager (provided rate case support for Separations issues)
  - Finance-Auditor (conducted audits of company operations)
- In 1990 I moved to the Marketing Department in an Operator Services support function. In February 1991 I was appointed to my present position of Area Manager-Product Management responsible for the life cycle management of "O" Assistance services.